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C O N F I D E N T I A L SECTION 01 OF 02 ISLAMABAD 001867

SIPDIS

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TAGS: PGOV PK PREL

SUBJECT: ZARDARI PUSHES "GLOBAL DEAL," BUT NAWAZ MAY HAVE OTHER PLANS

REF: ISLAMABAD 1831

Classified By: Anne W. Patterson, Reasons 1.4 (b), (d)

¶1. (C) Summary: Meeting with the Ambassador May 14, Pakistan People's Party (PPP) leader Asif Zardari was optimistic about reaching a "global deal" on the judiciary, wooing the Pakistan Muslim League-Nawaz (PML-N) back into the cabinet, and finalizing a budget by the June 30 deadline. PML-N leader Nawaz Sharif was equally confident during his May 15 meeting with the Ambassador, insisting that his party had not gone over to the opposition but would continue to push for reinstating the judges deposed November 3, 2007. It appears Sharif may be willing to sacrifice his party's control of Pakistan's largest province, Punjab, to make a point on the judges issue and strengthen himself politically in the long-term. Meanwhile, the candidacies of the Sharif brothers for June 26 by-elections were challenged but, eventually, accepted by the Election Commission. End summary.

Zardari: Rolling with the Punches

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¶2. (SBU) PPP Co-Chairman Asif Zardari claimed at a May 14 press conference that he continues to negotiate with PML-N leader Nawaz Sharif over the modalities of reinstating the judges deposed November 3, 2007. Reacting to Sharif's May 12 announcement that he was withdrawing his party's ministers from the federal cabinet (ref A), Zardari asserted that PML-N's proposal to replace current judges with the former judges would cause a constitutional crisis.

¶3. (C) Zardari has said consistently, publicly and privately, that he wants to remain in coalition with the PML-N. Muttahida Qaumi Movement (MQM) in-country leader Farooq Sattar confirmed separately to PolOff May 14 that the PPP has not been in contact with MQM, at any level, about switching from opposition to government benches.

¶4. (C) Meeting with the Ambassador just prior to speaking to the press, Zardari pushed for a "global deal" -- one in which Musharraf would cede some of his constitutional prerogatives, including the powers to dissolve the National Assembly and appoint military chiefs, in order to cajole Sharif into clipping the authority (and eventually retiring) former Chief Justice Iftikhar Chaudhry. For the first time, Zardari mentioned that a resolution to restore the judiciary would be brought before a joint session of both houses of parliament. (Note: Pakistan's Senate is still (barely) controlled by Musharraf's PML.)

¶ 15. (C) Zardari was concerned that his popularity was plummeting over the judiciary issue and asked the USG to "guarantee" Musharraf's concurrence with such a deal. The Ambassador said she talked regularly with the Musharraf team but urged Zardari to meet with the President one-on-one.

Adding It Up

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¶ 16. (C) Zardari lamented the departure of PML-N Finance Minister Ishaq Dar more because Zardari hoped to tie the PML-N to the country's difficult economic outlook than because of Dar's strengths as a minister. Zardari said he would appoint former head of the Karachi Stock Exchange Shaukat Tarin as an "Advisor" to head the ministry; for now, PPP Minister of Privatization Naveed Qamar is filling in as "Minister-in-Charge." Zardari was confident that the budget process would be completed by the deadline of June 30.

¶ 17. (C) Meeting Dar on May 15, the Ambassador repeatedly asked for clarification of the (former) minister's status and expressed her concern about the economic situation and budget. Dar revealed that he continued to work on this year's budget across the street from the Finance Ministry in Punjab House. He was vague as to the extent of his continued involvement in the ministry at large. Nor did Dar offer any explanation of the current roles of Qamar or Tarin.

Nawaz: Calling the Plays

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¶ 18. (C) Seeing the Ambassador in Lahore on May 15, Nawaz stood by his public position that all the deposed judges should be restored without any conditions. He reiterated that the PML-N would continue to support the PPP-led GOP even as his party's ministers departed the federal cabinet.

¶ 19. (C) PML-N contacts have separately predicted to PolOff that their party will officially stay in the coalition until the June 26 by-elections and June 30 budget deadline. But after those hurdles, joining the opposition would be a possibility, even if the PPP were similarly to bolt from its partnership with the PML-N in the Punjab provincial government. These contacts said Sharif was willing to sacrifice his party's control of the Punjab in the short-term to increase his political influence in the long-term.

¶ 10. (C) Meanwhile, the nomination papers for PML-N's Nawaz Sharif and Shahbaz Sharif for the upcoming by-elections were challenged because of previous criminal allegations and referred to their respective Election Commission returning officers. Late May 15, local media reported that both candidacies had been accepted. However, PolOff has also heard reports of PML-N candidates for associations and local committees being blocked; PML-N contacts have blamed the PPP.

¶ 11. (C) Comment: The current impasse between Pakistan's two largest parties is not a static situation, and PPP continues to strive for a compromise to keep PML-N onboard. However, the general mood of the Pakistani public is increasingly pessimistic about its "dream team" coalition. The coalition's honeymoon period ended so abruptly that many fear divorce is inevitable. End comment.

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